

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Ingham County Housing Commission	County Ingham
Fiscal Year End 9/30/2006	Opinion Date 1/31/2007	Date Audit Report Submitted to State 3/29/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Steven R. Kirinovic, CPA	License Number 1101022020

**Ingham County Housing Commission  
Okemos, Michigan**

**FINANCIAL STATEMENTS**

**September 30, 2006**

Ingham County Housing Commission

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Ingham County Housing Commission  
Okemos, Michigan

We have audited the component unit financial statements of the Ingham County Housing Commission as of and for the year ended September 30, 2006 as listed in the Table of Contents. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Ingham County Housing Commission as of September 30, 2006, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2007, on our consideration of the Ingham County Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

January 31, 2007

## Ingham County Housing Commission

### MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2006

Our discussion and analysis of Ingham County Housing Commission's financial performance provides an overview of the Housing Commission's financial activities for the fiscal year ended September 30, 2006. This annual report is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. Readers are encouraged to read this section in conjunction with the basic financial statements.

#### FINANCIAL HIGHLIGHTS

- **Assets:** The assets of the Housing Commission exceeded its liabilities by \$4,175,163 (net assets). Of this amount, \$1,830,045 (unrestricted net assets) may be used to meet the Housing Commission's ongoing obligations to citizens and creditors. The total net assets increased by \$399,819 during the year.
- **Unrestricted Net Assets:** At the end of the current fiscal year, the unrestricted net assets balance for the Housing Commission was \$1,830,045, or approximately 164% of total expenses for the year.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes.

- The Statement of Net Assets includes all of the Housing Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Housing Commission's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Housing Commission and assessing the liquidity and financial flexibility of the Housing Commission.
- The Statement of Revenues, Expenses, and Changes in Fund Net Assets measures the success of the Housing Commission's operations over the past year and can be used to determine whether the Housing Commission has successfully recovered all of its costs through its user fees and other charges, profitability and credit worthiness.
- The Statement of Cash Flows shows cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the report period.
- Financial Statements also include the Notes that explain some of the more significant information contained within the statements and provide more detailed data.

#### REQUIRED FINANCIAL STATEMENTS

The financial statements report information of the Housing Commission using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all of the Housing Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Housing Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Housing Commission and assessing the liquidity and financial flexibility of the Housing Commission.

Ingham County Housing Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2006

FINANCIAL ANALYSIS OF THE HOUSING COMMISSION AS A WHOLE

The Housing Commission's net assets increased \$399,819 from \$3,775,644 to \$4,175,463 for the year ended September 30, 2006. The net assets and change in net assets are summarized below.

Net Assets

Net assets as of years ended September 30, 2005 and 2006 are as follows:

	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 2,088,929	\$ 1,561,668
Capital assets	<u>2,345,418</u>	<u>2,450,241</u>
Total assets	4,434,347	4,011,909
Current liabilities	174,132	216,265
Noncurrent liabilities	<u>84,752</u>	<u>20,000</u>
Total liabilities	<u>258,884</u>	<u>236,265</u>
Invested in capital assets	2,345,418	2,450,241
Unrestricted	<u>1,830,045</u>	<u>1,325,403</u>
Total net assets	<u>\$ 4,175,463</u>	<u>\$ 3,775,644</u>

Changes in Net Assets

A summary of changes in net assets for the years ended September 30, 2005 and 2006 follows:

	<u>2006</u>	<u>2005</u>
Program revenues		
Charges for services	\$ 216,613	\$ 218,088
Operating grants and contributions	1,288,366	753,607
General revenues		
Interest	<u>9,471</u>	<u>7,135</u>
Total revenues	1,514,450	978,830
Expenses		
Public housing	593,343	599,530
Housings assistance	415,791	472,968
Rehabilitation administration	<u>105,497</u>	<u>87,120</u>
Total expenses	<u>1,114,631</u>	<u>1,159,618</u>
Increase (decrease) in net assets	<u>\$ 399,819</u>	<u>\$ ( 180,788 )</u>

## Ingham County Housing Commission

### MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2006

Total revenues were \$1,514,450, an increase of \$535,620, a 55% increase compared to the year ended September 30, 2005. This difference in revenue resulted primarily from an increase in HUD rehabilitation grant to \$458,250 and new HUD capital fund of \$205,969.

- HUD capital fund           \$205,969 in 2006,                   -0- in 2005
- HUD rehabilitation       \$458,250 in 2006,           \$187,397 in 2005

Total expenditures were \$1,114,631, a decrease of \$44,987 as compared to last year. This change in expenditures is primarily due to a slight decrease in public housing expense and a decrease in housing assistance payments in the amount of \$49,208 and an increase of \$18,377 in rehabilitation administration.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

As of September 30, 2006, the Housing Commission had invested \$2,345,418 in capital assets. This amount represents a net decrease (including additions, and deductions) of \$104,823 as follows:

	<u>2006</u>	<u>2005</u>
Capital Assets Not Being Depreciated		
Land	\$ 327,078	\$ 327,078
Capital Assets Being Depreciated		
Buildings and improvements	4,860,128	4,860,128
Equipment	<u>240,465</u>	<u>217,902</u>
Subtotal	5,100,593	5,078,030
Less Accumulated Depreciation	<u>( 3,082,253 )</u>	<u>( 2,954,867 )</u>
Total Net Capital Assets	<u>\$ 2,345,418</u>	<u>\$ 2,450,241</u>

#### Debt

Long-term debt of the Housing Commission consists of an Annual Contributions Contract with the U.S. Department of Housing and Urban Development (HUD) under provisions of the United States Housing Act of 1937. In accordance with the contract, the Commission receives an annual contribution from the Federal Government for this debt service. This note is guaranteed by the Federal Government. As of September 30, 2006, the amount of \$20,000 was outstanding and interest payable amounted to \$21,497.

Other obligations include accrued compensated absences related to vacation pay and sick leave and related payroll taxes in the amount of \$27,578 as of September 30, 2006. More detailed information about the Housing Commission's long-term liabilities is presented in Notes to the financial statements.

### CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Housing Commission's finances and to show the Housing Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Ingham County Housing Commission's administrative offices at 3882 Dobie Road, Okemos, Michigan 48864.

## **BASIC FINANCIAL STATEMENTS**



Ingham County Housing Commission

STATEMENT OF NET ASSETS

September 30, 2006

ASSETS

Current assets

Cash and cash equivalents	\$ 550,269
Accounts receivable	3,651

Total current assets	553,920
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Noncurrent assets

Restricted cash	19,814
Subsidy receivable restricted for debt service	41,497
Loans receivable	1,473,698
Capital assets not being depreciated	327,078
Capital assets, net of accumulated depreciation	2,018,340

Total noncurrent assets	3,880,427
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TOTAL ASSETS	4,434,347
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LIABILITIES

Current liabilities

Accounts payable	115,647
Accrued wages	54,047
Current portion of compensated absences	4,137
Deferred revenue	301

Total current liabilities	174,132
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Noncurrent liabilities

Customer deposits payable	19,814
Accrued interest payable	21,497
Noncurrent portion of compensated absences	23,441
Notes payable	20,000

Total noncurrent liabilities	84,752
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TOTAL LIABILITIES	258,884
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NET ASSETS

Invested in capital assets	2,345,418
Unrestricted	1,830,045

TOTAL NET ASSETS	\$ 4,175,463
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See accompanying notes to financial statements.

Ingham County Housing Commission

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2006

OPERATING REVENUES	
Dwelling rental	\$ 210,693
Intergovernmental revenue	
HUD operating subsidy	107,804
HUD capital fund	205,969
HUD Section 8 vouchers	516,343
HUD rehabilitation	458,250
Other income	<u>5,920</u>
TOTAL OPERATING REVENUES	1,504,979
OPERATING EXPENSES	
Public housing	
Administration	141,214
Tenant services	995
Utilities	80,013
Maintenance and operations	
Ordinary	211,073
Non-routine	12,022
Depreciation	127,386
Insurance	19,441
Other expenses	1,199
Housing assistance	
Administration	47,518
Assistance payments	368,273
Rehabilitation - administration	<u>105,497</u>
TOTAL OPERATING EXPENSES	<u>1,114,631</u>
OPERATING INCOME	390,348
NONOPERATING REVENUES	
Interest earnings	<u>9,471</u>
CHANGE IN NET ASSETS	399,819
Net assets, beginning of year	<u>3,775,644</u>
Net assets, end of year	<u><u>\$ 4,175,463</u></u>

See accompanying notes to financial statements.

Ingham County Housing Commission

STATEMENT OF CASH FLOWS

Year Ended September 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 216,937
Cash received from grantors	932,866
Cash paid to suppliers	(780,475)
Cash paid to employees	<u>(184,151)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 185,177

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital purchases	<u>(22,563)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>9,471</u>
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NET INCREASE IN CASH AND  
CASH EQUIVALENTS DURING YEAR 172,085

Cash and cash equivalents, beginning of year 397,998

Cash and cash equivalents, end of year \$ 570,083

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 390,348
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	127,386
Decrease in accounts receivable	324
(Increase) in loans receivable	(355,500)
Increase in accounts payable	6,732
Increase in accrued wages	11,646
Increase in accrued compensated absences	4,138
Increase in customer deposits payable	820
(Decrease) in deferred revenue	<u>(717)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 185,177

See accompanying notes to financial statements.

Ingham County Housing Commission  
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Ingham County Housing Commission (The Housing Commission) is considered a component unit of Ingham County, Michigan for financial accounting and reporting purposes.

The Housing Commission operates a Low Income Public Housing Program which is subsidized by the Department of Housing and Urban Development (HUD) in accordance with the United States Housing Act of 1937, and is regulated by that department.

The Housing Commission is party to various contracts with HUD providing for loans and grants to assist the Housing Commission in financing the development and modernization of housing units, annual contributions to pay for the principal and interest on project financing, and operating subsidies to help pay for the operation of the low-income public housing project. The Housing Commission also administers various Federal grant programs that provide housing assistance payments and housing rehabilitation assistance to eligible individuals. Federal funds of the Housing Commission are included in the single audit of Ingham County.

The accounting policies of the Ingham County Housing Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental units. In accordance with GASB Statement 20, the Housing Commission has elected not to apply the FASB Statements and interpretations issued after November 30, 1989, to its financial statements. The following is a summary of the significant policies:

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Ingham County Housing Commission. The Housing Commission is considered a "component unit" of the County of Ingham, Michigan's governmental operation. As a result, industry standards require the County to include the financial activities of the Housing Commission in the County's Annual Financial Report. The Annual Financial Report of Ingham County, Michigan is available for public inspection at the Ingham County Courthouse.

2. Basis of Presentation

The accounts of the Housing Commission are organized on the basis of a fund, which is considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The Housing Commission resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the financial statements in this report is described as follows:

PROPRIETARY FUND

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Housing Commission applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Housing Commission has elected not to follow FASB pronouncements issued after November 30, 1989 to its business-type activities and enterprise fund.

Ingham County Housing Commission  
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**- CONTINUED**

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Fund equity (i.e., net total assets) is segregated into invested in capital (net of related debt) and unrestricted components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred, regardless of the timing of related cash flows.

5. Cash and Cash Equivalents

The Housing Commission cash accounts consist of various checking, savings, and money market accounts. The balances in the cash accounts are available to meet current operating requirements.

6. Restricted Cash

Restricted cash consists of money received by the Housing Commission for residents' security deposits.

7. Loans Receivable

Loans receivable consists of loans made under the housing rehabilitation assistance program.

8. Capital Assets and Long-Term Liabilities

Capital assets, which include buildings, vehicles, and equipment, are capitalized at total acquisition cost, provided such cost exceeds \$2,500 and the expected useful life of the asset is more than two years. Donated property and equipment are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend their lives are charged to expense when incurred. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are:

Buildings and improvements	40 years
Equipment	7-40 years

Long-term liabilities are recognized in the basic financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Ingham County Housing Commission  
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**- CONTINUED**

9. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Accrued Compensated Absences

Ingham County Housing Commission employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount has been recorded as a current liability.

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

12. Cost Allocations

The Ingham County Housing Commission allocates expenses between various program activities for grant reporting purposes. The allocations are prepared based on a cost allocation plan and methodology that has been approved by the grantor agency.

**NOTE B: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the Housing Commission is authorized to invest any of its funds in one (1) or more of the following:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Ingham County Housing Commission  
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Housing Commission's deposits may not be returned to it. As of September 30, 2006, the carrying amounts of the Housing Commission's deposits were \$569,933 and the bank balance was \$599,544, of which \$213,148 was insured by the FDIC. The balance of \$386,396 was uninsured and uncollateralized. The Statement of Net Assets caption "Cash and cash equivalents" includes \$150 of imprest cash.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2006, the Housing Commission did not have any investments that would be subject to rating.

Interest rate risk

The Housing Commission will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Housing Commission's cash requirements.

Concentration of credit risk

The Housing Commission will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Housing Commission's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Housing Commission will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Housing Commission will do business in accordance with Board approved policy.

The following summarizes the categorization of these amounts as of September 30, 2006:

Cash and cash equivalents	\$ 550,269
Cash and cash equivalents - restricted	<u>19,814</u>
	<u>\$ 570,083</u>

Ingham County Housing Commission  
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2006, was as follows:

	<u>Balance Oct. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2006</u>
Capital assets not being depreciated:				
Land	\$ 327,078	\$ -	\$ -	\$ 327,078
Capital assets not being depreciated:				
Buildings and improvements	4,860,128	-	-	4,860,128
Equipment	<u>217,902</u>	<u>22,563</u>	<u>-</u>	<u>240,465</u>
Subtotal	5,078,030	22,563	-0-	5,100,593
Less accumulated depreciation for:				
Buildings and improvements	(2,751,262 )	( 121,503 )	-	(2,872,765 )
Equipment	<u>( 203,605 )</u>	<u>( 5,883 )</u>	<u>-</u>	<u>( 209,488 )</u>
Subtotal	<u>(2,954,867 )</u>	<u>( 127,386 )</u>	<u>-0-</u>	<u>(3,082,253 )</u>
Net capital assets being depreciated	<u>2,123,163</u>	<u>( 104,823 )</u>	<u>-0-</u>	<u>2,018,340</u>
Net capital assets	<u>\$ 2,450,241</u>	<u>\$( 104,823 )</u>	<u>\$ -0-</u>	<u>\$ 2,345,418</u>

**NOTE E: COMPENSATED ABSENCES**

Vacation leave is eligible for employees who have completed at least six (6) months of continuous service. Following six (6) months of employment, an employee may apply to use any credited vacation hours. Vacation leave is earned in varying amounts depending on the number of years of service of an employee.

Sick leave is granted at a rate of four and one-half (4.5) hours each payroll period worked. Any unused sick credit is paid at the rate of 50%, up to a maximum payment equivalent to one hundred (100) full work days at the current annual rate paid upon the retirement of an employee. Unused sick leave credit earned during the twelve (12) month period is payable to the employees in the first pay period that ends in January of each year, at the base rate of compensation in place during December of the calendar year, to a maximum of forty (40) hours.

Accumulated vacation leave and sick pay represent a current liability to the Housing Commission. Payments to employees for vacation leave and sick pay are recorded as expenses when they are used and payments are actually made to the employees.

The sick and vacation payable at September 30, 2006, was \$27,578 of which \$4,137 is recorded as a current liability and \$23,441 is recorded as a noncurrent liability in the financial statements.



Ingham County Housing Commission

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

**NOTE F: LONG-TERM RECEIVABLE AND DEBT**

The following is a summary of the HUD Annual Contribution Receivable for debt service, which is recorded as accrued interest payable on the Statement of Net Assets:

<u>Years Accrued</u>	<u>Annual Contribution for Permanent Note (Modernization)</u>
1988-2001	\$ 21,497
2002-2006	-
	<u>\$ 21,497</u>

The "Subsidy receivable restricted for debt service" on the Statement of Net Assets also includes an amount for notes payable of \$20,000 at September 30, 2006.

Long-term debt of the Commission consists of the following:

	<u>Balance Oct. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2006</u>	<u>Amounts Due Within One Year</u>
Permanent notes (modernization)	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ -

Interest payable on this note as of September 30, 2006 is \$21,497.

A debt service requirement is not available for the Commission's HUD permanent note. This note is guaranteed by the Federal Government. The Commission has entered into an Annual Contributions Contract with the U.S. Department of Housing and Urban Development (HUD) under provisions of the United States Housing Act of 1937. In accordance with the contract, the Commission receives an annual contribution from the Federal Government for this debt service.

**NOTE G: RETIREMENT PLAN**

The Housing Commission is included within the County's retirement plan and the County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan, 48917, or may be reviewed at the Ingham County Office Building, 121 East Maple Street, Mason, Michigan, 48854.

The annual actuarial report for the County is dated each year for the period December 31 and has no separate data for the Ingham County Housing Commission. Accordingly, no separate actuarial data is included in these financial statements. The annual pension contribution for the Ingham County Housing Commission for the fiscal year ended September 30, 2006, was \$21,150.

**NOTE H: RISK MANAGEMENT**

The Housing Commission, as a fund of Ingham County, is protected from losses as described in the note captioned "Risk Management" within the County's Annual Financial Report.

Ingham County Housing Commission  
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

**NOTE I: CONTINGENT LIABILITIES**

Under the terms of various Federal and State grants, periodic compliance audits are required and certain costs may be questioned, allowed, or disallowed, which could result in funds being returned and/or received from grantor agencies.

**NOTE J: RELIANCE ON FUNDING SOURCES**

Ingham County Housing Commission receives a substantial amount of its support from State and Federal contract revenues. A significant reduction in the level of this support, if it were to occur, may have an effect on the Commission's programs and activities.

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Ingham County Housing Commission  
Okemos, Michigan

We have audited the accompanying financial statements of the business-type activities and the major fund of the Ingham County Housing Commission as of and for the year ended September 30, 2006, which collectively comprise Ingham County Housing Commission's basic financial statements and have issued our report thereon dated January 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ingham County Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ingham County Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Ingham County Housing Commission in a separate letter dated January 31, 2007.

This report is intended for the information of management and the Board of Directors of the Ingham County Housing Commission, the Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

January 31, 2007

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
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Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Board of Commissioners  
of Ingham County Housing Commission  
Mason, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Ingham County Housing Commission for the year ended September 30, 2006. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

1. The Housing Commission should review deposits held and reconcile those amounts to the bank account.

The Housing Commission holds security deposits from tenants. At September 30, 2006, these amounts totaled approximately \$19,800 and were maintained in a separate bank account in the Commission's name. During our review of documentation for these deposits, it was noted that the listing contained several errors. Four (4) residents were duplicated on the list, five (5) names on the list were residents who moved out or passed away, and twelve (12) residents had incorrect balances. It was also noted that the list was not reconciled to the bank account where the security deposits are held.

We suggest the Commission work with the outside accountant to ensure a complete and accurate listing of tenants' security deposits is maintained and that the listing is reconciled to the bank account on a monthly basis.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated January 31, 2007.

This report is intended solely for the use of management and the Board of Ingham County Housing Commission and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

January 31, 2007